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## Appendix I

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The following flow chart and descriptive text have been designed to demonstrate the complexity, fundamental differences and unique characteristics of the INTEGRATED EXPORT TRANSACTION (IET) and INTEGRATED IMPORT TRANSACTION (IIT). The IET and IIT are defined for our narrative purposes as the exchange of a monetary or agreed upon medium for the legal transfer of a clear title to goods and or services in conformity with the terms and conditions between a buyer and seller whose permanent location of operations or residency are in different countries. Since the IET and IIT are completely interchangeable and only differ in country specific variables the Borderless Order Entry System (BOES) can complete the international transaction irrespective of country of export record. In this narrative we will additionally require that the seller be known as the exporter of record in his/her country but not necessarily the original producer or OEM manufacturer of the goods or services for which this international transaction is being concluded.

The demonstration flow chart will show many of the variables which will ultimately determine the final transaction price but in no way should this chart be construed to mean the only or all encompassing variables. Since each product or service is of itself unique and since the buyer and sellers geographic locations can change, the variables are never fixed. Therefore until a pattern of purchases of like goods or services is defined between the two parties or geographic regions each transaction is unique in and unto itself.

Finally, we are also assuming that the reader has skill and understanding in the art of exporting/importing, shipping logistics and payment mechanisms available in the international marketplace to successfully complete the agreed upon obligations of the buyer and seller. Our discussion will involve the conventional or presently available methods of transaction fulfillment but will not be limited by them. As components change and improve via technological advances a person skilled in the art will be able to integrate these new systems into a much more efficient and effective method of transaction conclusion. Some examples of changes are systems that will allow the electronic transfer of required documentation, electronic currency that is acceptable to the banking communities world wide to satisfy obligations thereby eliminating complex documentary credits, electronic tracking systems for logistics, digitalization of Harmonized Tariff Schedules and or any other form of advancement yet unforeseen to simplify and stream line this complex multivariable transaction.

The example will also demonstrate one of the prime differences between a domestic transaction concluded in the United States of America and the IET or IIT. This fundamental difference is that a domestic transaction is a price driven transaction while the IET and IIT are commodity "type" driven transactions. American governmental taxation schedules are based upon FOB point prices. In virtually all domestic transactions freight and insurance are not considered taxable components of the goods or services, this is not the case however in the IET or IIT transactions. The rates for carriage, insurance, handling, import duties, Value Added Taxes (VAT) and luxury taxes are based upon the commodity description itself via Harmonized Tariff Schedules or import country specific schedules which allow for taxes and fees to be assessed against total cost figures and are varied by the commodity definition. The compounding effect of these procedures means that taxes will be assessed upon taxes as well as any intermediary fees and costs including freight, handling, insurance or export country specific fees and taxes. International carriage fees are also based upon the commodity and then formulated to the weight or dimensional characteristics of the shipment, which ever will produce the greatest revenue for carriage operator. For the preceding reason this factor is called the revenue ton and is computated on cargo cubic footage versus shipper ton across the Atlantic and cubic meters versus the metric ton across the Pacific. The revenue computation is different for air shipments and is based on the "dimensional factor" and is calculated by  $L \times W \times H / 166$  versus the weight in pounds which ever produces the greatest revenue for the carrier.

Our example will be a new automobile purchased from a local dealer by an export company for resale to a buyer located in the Netherlands. The exporter will be located in Virginia and the shipment will leave through the Port of Norfolk, VA and be off loaded in Rotterdam. Payment will be effected by the Dutch buyers American Express Card. Since this sale is for export title taxation and local sales taxes will not be paid by the exporter in Virginia. The example uses abstract prices for various components and should not be considered definitive.

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| .) Price FOB factory   | \$15,000.00 |
| .) Loading and Handling  | 0.00        |
| .) Destination Insurance   | 25.00       |
| .) Destination Freight   | 450.00      |
| 5.) Cost FOB Dealer Location   | 15,625.00   |
| 5.) Dealer Markup  | 3,000.00    |
| 7.) Dealer Preparation   | 250.00      |
| 8.) Price FOB Dealer Location  | 18,875.00   |
| 9.) Transport and Insurance to Exporter Location   | 125.00      |
| 10.) Price FOB Exporter location.  | 19,000.00   |
| 11.) Exporter Markup   | 2,000.00    |
| 12.) Export Preparation  | 500.00      |
| 13.) Export Packaging, 20' containerized and lashed down.  | 1,500.00    |
| 14.) Cost to prepare export documentation and export packing list<br>and Shippers Export Declaration (SED) | 75.00       |
| 15.) Freight Forwarder and documentation Fees  | 200.00      |
| 16.) Price Ex Works Exporters location (EXW)   | 23,275.00   |
| 17.) Inland freight to Port of Norfolk, VA   | 450.00      |
| 18.) Insurance on EXW value for transport to Norfolk, VA   | 75.00       |
| 19.) Price Free Carrier Port of Norfolk, VA (FCA)  | 23,800.00   |
| 20.) Gate Charge   | 25.00       |
| 21.) Port Charge   | 150.00      |
| 22.) Warfage   | 200.00      |
| 23.) Stevedoring transport along side vessel   | 75.00       |
| 24.) Price Free Alongside Ship, Norfolk, VA (FAS)  | 24,250.00   |
| 25.) Cargo Loading and Securing  | 100.00      |
| 26.) Extra Lengths Charges   | N/A         |
| 27.) Heavy Lift Charges  | N/A         |
| 28.) Price FOB Vessel  | 24,350.00   |
| 29.) Harbor Maintenance Fee (HMF) 0.125% SED Value   | 29.00       |
| 30.) Ocean carriage Charges  | 750.00      |
| 31.) Bunker Surcharges   | 50.00       |
| 32.) War Risk Surcharges   | N/A         |

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| 35.) Cost, Insurance and Freight Rotterdam (CIF)  | 25,229.00          |
| 36.) Port of Rotterdam charges  | 75.00              |
| 37.) Pier off loading charges   | 150.00             |
| 38.) Stevedoring and terminal transport   | 75.00              |
| 39.) Pre-import clearance warehousing   | 100.00             |
| 40.) Delivered Duty Unpaid Rotterdam, (DDU)   | 25,629.00          |
| 41.) Import duties based on Tariff Classification of Goods<br>class 8703.21.10 (conventional) = 10.0% | 2,562.00           |
| 42.) Delivered Duty Paid, VAT unpaid, Luxury tax unpaid   | 28,191.00          |
| 43.) Value Added Tax (VAT) 17.5% of DDU plus import duties.   | 4,933.00           |
| 44.) Luxury Tax , 7% DDP  | 1,973.00           |
| 45.) Delivered Duty Paid  | 35,097.00          |
| 46.) Inland Freight and Handling to buyers location   | 600.00             |
| 47.) Price FOB buyer's location   | 35,697.00          |
| 48.) System data base price in U.S. Dollars   | 35,697.00          |
| 49.) System price shown to buyer in Dutch Guilders + 2% hedge factor<br>$71,756.82 \times 1.02$       | 73,191.00 guilders |

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